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SUBJECT: Georgia Bi-Weekly Update March 23

¶1. This cable contains current items of political, economic, and social interest concerning Georgia during the weeks of March 11-23.

Investigation of MOD Finances under Okruashvili

¶2. Georgian newspapers are reporting that the Audit Chamber has formally forwarded to the Prosecutor General financial records from the Defense Ministry during former Minister Irakli Okruashvili's tenure. The Audit Chamber's inspection has reportedly uncovered that Okruashvili embezzled GEL 75 million (around USD 44 million). According to commentators, if this information is confirmed, the Prosecutor General's Office will be obliged to start criminal proceedings. Current Defense Minister Kezerashvili has ordered the Ministry's own General Inspection Department to conduct a separate investigation. A month before this story appeared, Okruashvili was included on a published list of the richest Georgians with an estimated wealth of USD 250 million, most of it presumably from a lucrative law practice earlier in his career.

Former Television Director Returns

¶3. The Georgian media has paid great attention to the return of Erosi Kitsmarishvili, former owner and director of Rustavi-2 television, who has reportedly agreed to serve as a consultant to the Georgian Public Broadcasting Service (GPBS). In Georgian political circles Kitsmarishvili is seen as a kingmaker, famous for Rustavi-2's role in the Rose Revolution reporting on the corruption of Shevardnadze's regime and keeping the revolutionary movement on the nation's television screens. Afterwards Kitsmarishvili reportedly fell out with the new government, and he sold his station and moved to New York. Many commentators suggest the government wants Kitsmarishvili to "upgrade" the GPBS so that it can compete with rival private stations, including Badri Patarkatsishvili's Imedi TV as well as Kitsmarishvili's old station, Rustavi-2, which has become strongly pro-government and is believed to have lost much of its audience.

Controversy Surrounds Return of Gamsakhurdia's Body

¶4. Georgian media have been filled with speculation on the final resting place of former Georgian President Zviad Gamsakhurdia after Prime Minister Noghaidei issued an order March 5 to bring his body back from Russia. The body, reportedly recovered in a park in the Chechen capital of Grozny, is currently undergoing testing in Rostov-on-Don, Russia, to confirm its identity. Members of Gamsakhurdia's family have been involved in a highly public spat over where in Georgia he should be buried, with his widow and younger son wanting the body to be buried in Tbilisi's newly built Trinity Cathedral, while Konstantin Gamsakhurdia, an elder son from Gamsakhurdia's first marriage, wants the body to be buried in the Mtatsminda Pantheon. When some observers raised the possibility of President Saakashvili resolving the controversy, Saakashvili demurred, instead suggesting that a commission should make the decision.

Tax Cheats in the Left Pocket

¶5. A law enforcement operation targeting corruption landed 21 tax inspectors and 11 businesspeople in detention on suspicion of accepting and receiving bribes. Code-named "Left Pocket," the combined operation by the Prosecutor General's Office, the Financial Police, and the Interior Ministry's Constitutional Security Department used hidden cameras in tax inspection offices to film bribes paid by entrepreneurs to conceal their incomes. Several of the enterprises involved had well-established reputations for profitability and success.

Shah Deniz Gas Delivery Resumed

¶6. On March 15, delivery of natural gas to Georgia from the Shah Deniz field in Azerbaijan resumed. Deliveries had been suspended in January, reportedly because of technical problems, thus leaving Georgia fully dependent on Russian gas, the price of which jumped up from USD 110 to USD 235 per thousand cubic meters starting from January 1. The suspension of Shah Deniz gas had cast some doubts on Georgia's ability to diversify its energy import sources, but the announcement that starting from March 15 Georgia would get 1 million cubic meters per day from Shah Deniz, in addition to the more than 1 million cm per day coming from other Azeri sources, helped alleviate these concerns. The volume of the Azerbaijani gas supply will increase after the full commissioning of wells in the field.

New Player Enters Mobile Phone Market

¶7. Vimpelcom, the second-largest operator of cellular communication in Russia, has entered Georgia's mobile phone market under the name "Beeline" through a local subsidiary, Mobitel, Ltd. Initially, Beeline will cover Tbilisi and Rustavi, with plans to expand nationwide by the end of the year. Beeline launched operations in Georgia with an initial rate of 2 tetri (about 0.85 cents) per minute, much lower than the 28.8 tetri (about 17 cents) offered by the two other players in the market: the American-owned Magti and Turkish-Finnish-Georgian joint venture Geocell.

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